

## Message Text

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ACTION XMB-04

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INFO AMEMBASSY BRUSSELS  
AMCONSUL BUKAVU POUCH  
AMCONSUL LUBUMBASHI  
AMEMBASSY PARIS

C O N F I D E N T I A L KINSHASA 2167

E.O. 11652: GDS  
TAGS: EFIN, CG, US  
SUBJECT: VISIT TO ZAIRE OF EXIMBANK OFFICIALS HUBER AND LENTZ

1. SUMMARY: CENTRAL BANK GOVERNOR BOFOSSA AGREED TO MAKE MONTHLY PAYMENTS, BEGINNING IN MARCH, OF \$2.4 MILLION TO MEET 15 PER CENT DOWN PAYMENT REQUIREMENT FOR PROPOSED NEW EXIM LOAN TO SNEL. BOFOSSA ALSO AGREED TO MAKE \$1.2 MILLION PAYMENTS BEGINNING IN MARCH SO AS TO ELIMINATE ARREARAGES OWED TO EXIM UNDER 1976 AND 1977 BILATERALS. SNEL, FINANCE AND CENTRAL BANK OFFICIALS SIGNED APPLICATION TO EXIM FOR LOAN TO COMPLETE INGA-SHABA TRANSMISSION LINE. GECAMINES DIRECTOR UMBA COMMENTED TO EXIM OFFICIALS THAT SATISFACTION OF EXIM'S CONDITION PRECEDENT FOR DISBURSEMENT UNDER PROPOSED \$20 MILLION EXIM LOAN TO GECAMINES IS DEPENDENT UPON ACTIONS OF OTHER GOZ AGENCIES. IF NO PROGRESS IS MADE BY END OF JUNE TO SATISFY CONDITION PRECEDENT, THEN UMBA WILL PROPOSE THAT EXIM COMMITMENT EXPIRE. END SUMMARY.

2. PRIOR TO ARRIVAL OF EXIM OFFICIALS LENTZ AND HUBER, CHARGE AND ECON COUNSELOR HAD LENGTHY MEETING WITH CENTRAL BANK  
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COUNSELOR MUANDA IN WHICH THEY ONCE AGAIN EMPHASIZED IMPORTANCE OF GOZ BEING CURRENT WITH EXIM PAYMENTS AS SUCH IS A CONDITION PRECEDENT FOR DISBURSEMENT UNDER PROPOSED NEW EXIM LOAN TO SNEL. THEY ALSO DISCUSSED IMPORTANCE OF SPEEDY COMPLETION OF NEW LOAN APPLICATION.

3. MARCH 2 EXIM, EMBASSY AND CIS OFFICIALS REVIEWED LOAN

APPLICATION WITH SNEL OFFICIALS. THERE WAS AGREEMENT THAT IF CIS IS TO TAKE ADVANTAGE OF FORTHCOMING DRY SEASON, IT SHOULD BEGIN IN VERY NEAR FUTURE TO HIRE ADDITIONAL PERSONNEL AND CONTRACT FOR SUPPLIES. FAILURE TO DO SO WILL RESULT IN ADDITIONAL COSTS OF APPROXIMATELY \$25 TO \$30 MILLION AND DELAY COMPLETION OF LINE BY AN ADDITIONAL SIX TO EIGHT MONTHS.

4. MARCH 3 LENTZ, CHARGE AND ECON COUNSELOR MET WITH COUNSELOR MUANDA AND CENTRAL BANK GOVERNOR BOFOSSA. LENTZ OUTLINED WHAT ACTIONS MUST BE TAKEN BY GOZ TO ENABLE CIS TO ACCELERATE CONSTRUCTION OF LINE AND THUS TAKE ADVANTAGE OF FORTHCOMING DRY SEASON. HE POINTED OUT THAT FAILURE TO DO SO WOULD RESULT IN ADDITIONAL COSTS OF \$25 TO \$30 MILLION. BOFOSSA STATED THAT GOZ DESIRED ACCELERATED PROGRAM SO AS TO MINIMIZE TOTAL COST. ASSUMING THAT ITALIANS WILL FINANCE APPROXIMATELY \$30 MILLION OF TOTAL FOREIGN EXCHANGE COSTS UNDER ACCELERATED PROGRAM OF \$78 MILLION, 15 PER CENT DOWN PAYMENT WHICH GOZ MUST MAKE TO CIS WILL BE APPROXIMATELY \$7.2 MILLION. BOFOSSA STATED THAT GOZ WILL PAY THIS AMOUNT IN THREE EQUAL MONTHLY PAYMENTS OF \$2.4 MILLION, BEGINNING MARCH 1978.

5. WITH REGARD TO ARREARAGES OF APPROXIMATELY \$3.8 MILLION OWED TO EXIM UNDER 1976 AND 1977 BILATERALS, BOFOSSA STATED THAT GOZ HAS SET ASIDE AMOUNT FOR ALL CREDITORS UNDER 1977 RESCHEDULING. HOWEVER, HE RAISED QUESTION AS TO WHETHER OR NOT GOZ COULD PAY 1977 AMOUNT PRIOR TO CONCLUSION OF BILATERAL BECAUSE INTEREST

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RATE WILL NOT BE DEFINITE UNTIL SUCH TIME. AFTER DISCUSSION, IT WAS AGREED THAT APPROXIMATE AMOUNT COULD BE PAID PRIOR TO SIGNING OF 1977 BILATERAL. BOFOSSA STATED THAT HE WOULD MAKE EQUAL MONTHLY PAYMENTS OF \$1.2 MILLION BEGINNING IN MARCH 1978, TO COVER PAYMENTS DUE EXIM UNDER 1976 AND 1977 RESCHEDULING AGREEMENTS.

6. LATE AFTERNOON MARCH 3 COUNSELOR MUANDA GAVE ECON COUNSELOR COPY OF LOAN APPLICATION TO EXIM SIGNED BY REPRESENTATIVES OF SNEL, FINANCE AND CENTRAL BANK AND LENTZ TOOK APPLICATION TO WASHINGTON. MUANDA ALSO GAVE LETTER FROM BOFOSSA TO LENTZ TO THE EFFECT THAT LENTZ HAD INDICATED THAT DOWN PAYMENT DUE EXIM WOULD BE \$7.2 MILLION WHICH THE GOZ WOULD PAY IN THREE EQUAL MONTHLY INSTALLMENTS OF \$2.4 MILLION, BEGINNING MARCH 1978.

7. IN MEETING WITH LENTZ, HUBER, EMBOFFS AND UMBA AND ROCHER, OF GECAMINES, LENTZ STATED EXIM PRECONDITION FOR DISBURSEMENT UNDER PROPOSED \$20 MILLION LOAN TO GECAMINES CONTINUES TO BE THAT GOZ BE CURRENT IN ALL PAYMENTS DUE EXIM. HOWEVER, AS RESULT OF ADDITIONAL RESCHEDULING RESULTING FROM DECEMBER 1977 MODIFICATION OF 1977 RESCHEDULING AGREEMENT, AMOUNTS OF SUCH PAYMENTS HAVE BEEN REDUCED. GOZ ARREARAGES TO EXIM NOW TOTAL

APPROXIMATELY \$3.8 MILLION. ASSUMING A 1978 RESCHEDULING AGREEMENT ALONG LINES OF 1977 AGREEMENT, THEN ONLY OTHER PAYMENT COMING DUE TO EXIM IN CY 1978 IS APPROXIMATELY \$1.8 MILLION DUE IN JULY 1978. IT WAS ALSO POINTED OUT THAT PAYMENT OF ARREARAGES WHICH GOZ OWES EXIM IS A CONDITION PRECEDENT FOR DISBURSEMENT UNDER PROPOSED EXIM LOAN TO SNEL. UMBA STATED THAT GECAMINES DESIRED \$20 MILLION LOAN BUT NOTED THAT SATISFACTION OF CONDITION PRECEDENT, I.E. PAYMENT OF ARREARAGES OWED TO EXIM BY OTHER GOZ ENTITIES, IS THE RESPONSIBILITY OF OTHER GOZ OFFICIALS. HE CONCLUDED THAT IF CONDITION PRECEDENT HAS NOT BEEN SATISFIED BY END OF JUNE, THEN GECAMINES WILL PERMIT EXIM COMMITMENT TO GECAMINES TO EXPIRE.  
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## Message Attributes

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